

Message Text

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ORIGIN EB-11

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FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

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EO 11652: N/A

TAGS: ETRD, HU

SUBJ: INVESTMENT IN CPS

REF : BUDAPEST 340

1. BASIC USG POLICY TOWARD FOREIGN INVESTMENT IS TO ADMIT
AND TREAT FOREIGN CAPITAL ON BASIS OF EQUALITY WITH DOMESTIC
CAPITAL.

2. FEDERAL AND, IN SOME CASES, STATE LAWS RESTRICT FOREIGN
INVESTMENT IN CERTAIN LIMITED SECTORS OF US ECONOMY (RADIO
COMMUNICATIONS, AIR TRANSPORTATION, SHIPPING, POWER, BANK-
ING, LANDOWNERSHIP, EXPLOITATION OF MINERALS, INSURANCE).

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AT LEVEL OF PRIMARY AGRICULTURAL PRODUCTION THERE ARE NO

FEDERAL RESTRICTIONS. ONLY A FEW STATES RESTRICT ALIEN OWNERSHIP OF FARMLANDS OR ALIEN CORPORATE INVOLVEMENT IN FARMING. OTHER LAWS, REGULATIONS, AND PROCEDURES, INCLUDING THE 30 PERCENT WITHHOLDING TAX ON INTEREST AND DIVIDENDS, ANTI-TRUST LEGISLATION, SEC REGISTRATION REQUIREMENTS, FOREIGN AGENTS REGISTRATION REQUIREMENTS, AND DISCLOSURE LAWS APPLY TO FOREIGN INVESTMENT IN ALL SECTORS OF US ECONOMY. IN ADDITION, ASSETS OF NATIONALS OF ANY COUNTRY DESIGNATED UNDER REGULATIONS ISSUED PURSUANT TO

TRADING WITH THE ENEMY ACT (FOREIGN AND CUBAN ASSETS CONTROLS) ARE SUBJECT TO SEIZURE OR BLOCKING. HUNGARY IS NOT NOW A DESIGNATED COUNTRY. ONLY CUBA, NORTH KOREA, AND NORTH VIETNAM ARE CURRENTLY SO DESIGNATED. COMPETENT US LEGAL COUNSEL COULD ADVISE WHETHER INCREASE IN HUNGARIAN HOLDINGS IN CPS WOULD RAISE PROBLEMS IN ANY OF THESE RESPECTS. INFORMAL SURVEY OF LEGAL PROVISIONS AFFECTING FOREIGN INVESTMENT IN US PREPARED BY COMMERCE BEING POUCHED. IF HUNGARIANS CAN COMPLY WITH ALL FEDERAL AND STATE LAWS, REGULATIONS AND PROCEDURES MENTIONED ABOVE, USG SEES NO OBJECTION TO INCREASE IN HUNGARIAN HOLDINGS.

3. IF POSSIBILITY OF ADDITIONAL HUNGARIAN INVESTMENT IN CPS BECOMES SUBJECT OF DISCUSSION WITH HUNGARIAN OFFICIALS, YOU MAY WISH TO MENTION THAT WE WOULD LIKE TO SEE CORRESPONDINGLY FAVORABLE TREATMENT OF INVESTMENT BY US FIRMS IN HUNGARY. KISSINGER

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